



Through its **sustainability strategy**, Heartland is committed to **sustainable practices** that not only minimise its environmental footprint, but also make **positive contributions** to its communities and **enrich the lives** of its people and customers.



Environment

- › Support the just transition to a net-zero economy.



People

- › Create a pathway and place for Heartland's people to grow, thrive and be empowered to achieve Heartland's goals as one team.
- › Care for the communities Heartland operates in.
- › Care for Heartland's customers.



Financial wellbeing

- › Support the financial wellbeing of Heartland's customers and communities.



Heartland’s environmental sustainability strategy is underpinned by three key pillars. Together, these help Heartland fulfil its commitment to supporting the just transition to a net-zero economy.

1. Build the capability to appropriately take climate change risks into consideration when making lending decisions.
2. Fund Heartland’s borrowers’ transition to a net-zero economy.
3. Embed sustainability into what Heartland does.

Climate reporting

The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 introduced a mandatory reporting regime for climate-related disclosures in New Zealand in the financial year ended 30 June 2022 (FY2022), with effect from FY2024.

Heartland’s **Sustainability Committee** was established in November 2023 to oversee Heartland’s sustainability strategy and implementation plans. With the direction of this new Board committee, Heartland is pleased to have **published its first Climate Report** in line with the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act. The Heartland Climate Report 2024 provides insight into Heartland’s environmental journey, including achievements, challenges, climate-related risks and opportunities and future targets.

For a comprehensive review of Heartland’s environmental journey, refer to the Heartland Climate Report 2024 available at heartlandgroup.info/sustainability.



HEARTLAND’S COMMITMENT:

Support the just transition to a net-zero economy.

HOW: Build the capability to appropriately take climate change risks into consideration when making lending decisions.

FY2024 TARGET	FY2024 PROGRESS
Climate-related risk analysis.	Heartland has made significant progress in FY2024 in its capability to appropriately take climate change risks into consideration when making lending decisions. Heartland completed scenario analysis to better understand the resilience of its business strategy in light of possible climate-related risks. Climate change is a significant and complex problem that will impact Heartland and its stakeholders differently. Refer to page 6 of the Heartland Climate Report 2024 for further information on Heartland’s scenario analysis.
Implementation of a climate risk tool and calculating financed emissions.	Heartland engaged Jupiter Intelligence , a climate risk modelling software company, enabling Heartland to understand its exposure to potential climate hazards through to 2100. Understanding the potential impacts of climate-related events will allow Heartland to set risk-appetite targets for lending within its New Zealand and Australian businesses as part of its climate risk management strategy. Refer to the Heartland Climate Report 2024 for further information on climate-related risks and hazards.
Establish a Sustainability Committee.	Heartland’s Sustainability Committee was established in November 2023 to oversee Heartland’s sustainability strategy and implementation plans. The Committee is made up of directors of Heartland, Heartland Bank and Heartland Bank Australia. The Committee meets quarterly to consider climate-related risks and opportunities and provide updates, guidance and leadership regarding climate initiatives.





HOW: Fund Heartland's borrowers' transition to a net-zero economy.

FY2024 TARGET	FY2024 PROGRESS
Increase lending to new generation vehicles.	Of all vehicles funded within Heartland's Motor Finance portfolio in FY2024, 15% were new generation (hybrids (HEVs), Plug-in hybrids (PHEVs), and battery electric vehicles (BEVs)), compared with 10% in FY2023. In December 2023, Heartland announced its white labelled MG Finance partnership with MG Motors New Zealand. This finance offering provides Heartland's borrowers a range of flexible finance solutions for the entire MG range, including HEVs, PHEVs and BEVs. In February 2024, Heartland Bank became one of Tesla's two preferred finance providers in New Zealand, offering an online finance solution to help more Kiwi drive electric vehicles.
Identifying climate-related opportunities.	Through scenario analysis, Heartland has a better understanding of the resilience of its business strategy in light of climate-related risks and opportunities. Refer to the Heartland Climate Report 2024 for further information on climate-related opportunities.
Baseline carbon footprint analysis for Australian Livestock Finance.	Heartland's Australian livestock business, StockCo Australia, partnered with Australian farmer-led software provider, Ruminati, for a two-year pilot project. Ruminati is an online emissions calculator created by farmers for farmers. The platform provides producers accurate climate data and emissions information to help producers across Australia track and validate on-farm climate action throughout the supply chain.
Funding low emissions assets.	Heartland is positioning itself in the low emission heavy to medium duty transport and yellow goods space and has established partnerships with two national distributors. Heartland intends to continue exploring opportunities to fund low emission assets in these spaces in FY2025.

HOW: Embed sustainability into what Heartland does.

FY2024 TARGET	FY2024 PROGRESS
Replace remaining vehicle fleet with new generation vehicles.	As at 30 June 2024, Heartland Bank had replaced 91% of its vehicle fleet with new generation vehicles.
Set long-term greenhouse gas (GHG) emissions reduction targets.	Heartland's long-term GHG emissions reduction target is to reduce its operational emissions in line with the Paris Agreement to net-zero by 2050. Since its base year (being the financial year ended 30 June 2019 (FY2019)), Heartland has achieved a 40% reduction in operational emissions. ¹
Engage with Rural borrowers to understand their emissions profiles and environmental sustainability practices.	In FY2024, Heartland began surveying its Rural and Livestock Finance borrowers in New Zealand to understand their current and planned on-farm environmental sustainability practices. However, some responses indicated uncertainty within the sector and were inconclusive. As a result, Heartland paused the survey to explore a more effective method for assessing borrowers' emissions profiles and sustainability practices. This includes examining existing information from borrowers' key partners to gain a more comprehensive understanding of their emissions profile. This process started in FY2024 and is expected to be completed in FY2025.

LOOKING FORWARD TO FY2025

Heartland intends to build on its FY2024 progress in FY2025 through engaging with its people, customers and key suppliers to reach the following targets.

- Reduce Heartland's **absolute gross operational emissions** by 35% by the end of FY2025, from its FY2019 base year.
- Increase the percentage of **new generation vehicles** funded through Motor Finance to more than 15%.
- Extend Heartland's physical **climate risk identification tool** to the credit assessment process for Online Home Loans, Reverse Mortgages, Australian Livestock Finance, and New Zealand Rural and Livestock Finance borrowers.
- Develop and execute a climate-related customer **communication and education strategy** in partnership with subject matter experts in FY2025.
- **Engage with the 100 largest** Australian Livestock Finance and New Zealand Rural and Livestock Finance borrowers in each of Australia and New Zealand to understand their on-farm emissions by the end of FY2025, and ensure they have an emissions reduction plan in place by the end of the financial year ending 30 June 2026 (**FY2026**).
- **Develop Heartland's Transition Plan** detailing how Heartland intends to reduce its operational emissions to net-zero by 2050 and reduce the climate-risk and emissions intensity of its lending books.

For more information on Heartland's environmental journey, refer to Heartland's Climate Report at heartlandgroup.info/sustainability.

¹ Includes Scope 1, 2 and select Scope 3 emissions that Heartland has operational control over including freight, flights, car rentals, taxi, working from home emissions, electricity transmission losses and waste generated in operations.



HEARTLAND'S COMMITMENT:

Create a pathway and place for Heartland's people to grow, thrive and be empowered to achieve Heartland's goals as one team.

HOW: To be a workplace where Māori can succeed as Māori and create a pathway to being an employer that is welcoming to all cultures and ethnicities.

FY2024 TARGET	FY2024 PROGRESS
Extend community engagement for Heartland's Manawa Ako internship programme.	<p>The Manawa Ako internship programme reached a broader network of applicants by leveraging business relationships and connections. This included recruiting interns from Manurewa High School, Ngā Puna O Waiōrea (Western Springs College) and Ngāti Whakaue.</p> <p>Through engaging with a wider network, Heartland welcomed 30 interns in FY2024 – the largest cohort for Manawa Ako since its inception in 2017. 140 rangatahi have participated in the programme since 2017.</p> <p>At 30 June 2024, 15 former Manawa Ako interns were employed by Heartland. Seven of which are from the FY2024 Manawa Ako cohort.</p>



FY2025 TARGETS

- Heartland is committed to **supporting Māori and Pasifika in the banking industry**. Heartland will achieve this through membership in the New Zealand Banking Association (NZBA) Tawhia (Māori Bankers Association) committee, close association with InZone Education Foundation and Heartland's annual Manawa Ako internship programme.
- Heartland will **extend its engagement to an even broader network** of schools across Auckland to offer opportunities to apply for the Manawa Ako internship programme in FY2025.

HOW: Establish Heartland as a recognisable and desirable employer of choice to attract, develop and enable exceptional talent.

FY2024 TARGET	FY2024 PROGRESS
Seek employee insight on how Heartland can become a more recognisable and desirable employer.	<p>Heartland began using surveys to gain employee insights as part of the integration of Challenger Bank employees from acquisition completion. These surveys were originally intended for broader employee engagement. However, Heartland's focus shifted following the acquisition of Challenger Bank in April 2024 and the subsequent integration of Challenger Bank employees with Heartland Finance and StockCo Australia employees to form Heartland Bank Australia.</p> <p>The surveys were tailored to better support a positive integration for employees into Heartland post-acquisition.</p>
Continue to offer successful initiatives, including:	<p>Rotary Young-Person Leadership Awards This week-long, immersive programme includes presentations, workshops and activities aimed at enhancing teamwork and communication skills. Heartland nominates and sponsors selected employees to participate, and in FY2024, four emerging leaders from Heartland took part in the RYLA programme, of which 50% were female.</p> <p>Rangatahi (Youth) Advisory Board Heartland appointed 10 new members to the Board in FY2024, who sit alongside four existing members. The Board is made up of nine males and five females across Heartland's Australian and New Zealand businesses, who each bring their unique perspective and innovative ideas to the group.</p> <p>Mātāpono (Values) Awards Heartland's Mātāpono Awards are presented quarterly. In FY2024, 40 individuals across Australia and New Zealand received these awards, with 90% of the winners being non-leaders. Of the winners, 55% were female and 45% were male.</p> <p>New initiatives</p> <p>Multiethnic Young Leaders NZ In FY2024 Heartland also became a Corporate Impact Investor of Multiethnic Young Leaders NZ (MYLN). This is a network of young leaders who are committed to championing diversity in leadership, empowering Māori, Asian, Pacific and ethnic minority rangatahi (youth). As a Corporate Impact Investor, Heartland is invited to attend MYLN's events, workshops and programmes – which it shares with employees.</p> <p>Heartland has two employees participating in the 3 Kapu Kawhe Mentorship Programme provided by MYLN. This short-term mentoring programme by MYLN is designed for ethnically diverse professionals aged 35 and under who show potential for impactful leadership. Participants are matched with executives and directors from New Zealand organisations for three one-hour mentoring sessions over six months. In return, mentees will have three coffee meetings with a student leader in tertiary education or their final year of high school.</p>
<ul style="list-style-type: none"> participation in the Rotary Young-Person Leadership Awards (RYLA) youth programme facilitating the Rangatahi (Youth) Advisory Board programme continuing to grant Mātāpono Awards. 	

FY2025 TARGETS

- Heartland intends to commence an **annual employee culture and engagement survey** to be conducted across all of Heartland. A baseline will be created and progress monitored against targets annually.



HOW: Create an inclusive, engaging environment for employees where gender balance and diverse ethnic representation is achieved at all levels for the organisation, leading to exceptional experiences for Heartland's people and customers.

FY2024 TARGET	FY2024 PROGRESS
<p>Reduce pay gaps Heartland is dedicated to advancing its efforts in reducing gender and ethnicity pay gaps.</p>	<p>Heartland has seen a reduction in the pay gaps between men and women, between Māori and non-Māori, and between Pasifika and non-Pasifika in the last year.²</p> <ul style="list-style-type: none"> Gap between median pay of men and women across all NZ roles has reduced by 6.1% since 30 June 2023 to 21.9%. Gap between median pay of non-Māori and Māori across all NZ roles has reduced by 4.6% since 30 June 2023 to 23.4%. Gap between median pay of non-Pasifika and Pasifika across all NZ roles has reduced by 9.9% since 30 June 2023 to 17.1%.
<p>Increase gender balance Heartland tracks gender representation and leadership roles throughout the year.</p>	<p>In FY2024, there was an 8% increase in the percentage of women in management roles, rising to 38%. The Heartland Bank Board maintained 33% female representation, unchanged from FY2023. While the Heartland Board includes one female member (17%), the newly established Heartland Bank Australia Board has 43% female representation. Refer to the table on the next page for the gender diversity of directors and employees of the Group in New Zealand and Australia.</p>
<p>Improve accessibility Heartland is dedicated to enhancing accessibility for older customers and those with physical or hidden disabilities to ensure a more inclusive experience for all.</p>	<p>Heartland has combined its Accessibility and Vulnerable Customers committees into one broader Accessibility Committee.</p> <p>Heartland has renewed its status as a Hearing Accredited Workplace in New Zealand for another year with the Foundation for the Deaf and Hard of Hearing. In Australia, Heartland celebrated National Week of Deaf People in September 2023 to increase awareness and education about the Deaf community among Heartland's employees.</p> <p>For New Zealand Sign Language Week in May 2024, Heartland hosted Sign Language workshops to promote inclusivity.</p>

Other achievements in FY2024

Maintained Rainbow Tick accreditation and joined the Welcome Here Project

Heartland Bank in New Zealand has successfully renewed its Rainbow Tick accreditation for another year, having initially received this certification in 2019.

In continuing its ongoing commitment to accessibility and diversity, Heartland has joined The Welcome Here Project in Australia and has replicated the concept of this project in New Zealand. The Welcome Here Project supports businesses in Australia to create an environment that is visibly welcoming of lesbian, gay, bisexual, transgender, queer and intersex (LGBTQI+) communities. Members are provided with Welcome Here rainbow stickers and a charter to prominently display, signalling that their business welcomes and celebrates LGBTQI+ diversity.

In FY2024 Heartland's Rainbow Committee conducted a Rainbow 101 and Active Allyship workshop through Rainbow Tick, which had significant uptake from Heartland employees and educated participants on the foundations of what it means to be inclusive of the LGBTQI+ community.

GENDER DIVERSITY

Positions	Female	Male	Gender Diverse	Not stated	Total
As at 30 June 2024					
Board - Heartland	1 (17%)	5 (83%)	0	0	6
Board - Heartland Bank	2 (33%)	4 (67%)	0	0	6
Board - Heartland Bank Australia	3 (43%)	4 (57%)	0	0	7
Management ³	8 (38%)	13 (61%)	0	0	21
All People Leaders (excl Management)	45 (47%)	51 (53%)	0	0	96
All staff (excl Board)	311 (51%)	302 (49%)	0	0	613
As at 30 June 2023					
Board - Heartland	2 (40%)	3 (60%)	0	0	5
Board - Heartland Bank	2 (33%)	4 (67%)	0	0	6
Management ³	3 (30%)	7 (70%)	0	0	10
All People Leaders (excl Management)	48 (46%)	56 (54%)	0	0	104
All staff (excl Board)	279 (52%)	251 (47%)	3 (0.6%)	2 (0.4%)	535

² Heartland's pay gap reporting includes pay for all New Zealand employees, including base pay and discretionary payments.

³ Management represents Heartland's Officers for the purposes of the NZX Listing Rules.

FY2025 TARGETS

- Heartland intends to continue to focus on **achieving gender balance in all levels** at Heartland, including by leveraging its Growing Families, Rainbow and Kia Eke employee groups. Heartland also intends to continue its commitment to disclosing its gender pay gap in New Zealand through Mind the Gap.
- Heartland is committed to diversity and inclusion and creating an environment where all employees can thrive. Heartland Bank will do this in New Zealand by **retaining its accreditations** as a Living Wage Employer, for the Rainbow Tick (NZ), and its Hearing Accreditation with the National Foundation for the Deaf and Hard of Hearing, by being a member of Mind the Gap.
- To ensure Heartland is a welcoming space for diverse employees in its Australian business, efforts are underway to **achieve Bronze Status in the Australian Workplace Equality Index**, as published by Pride in Diversity. This index serves as the Australian equivalent of the Rainbow Tick and will further reinforce Heartland's commitment to being an inclusive and uplifting place to work.

HEARTLAND'S COMMITMENT:

Heartland cares for its communities.

HOW: Heartland gives back to the community through grants, sponsorships and active volunteering.

FY2024 TARGET	FY2024 PROGRESS
Increasing commitment to wellbeing through a renewed partnership with Lifeline Aotearoa.	With funds provided by the Heartland Trust, in FY2024 Heartland increased its support for initiatives that foster positive mental health and wellbeing in the community, ⁴ including Lifeline Aotearoa and grants provided to the Sir John Kirwan Foundation's mental health initiative Mitey, Auckland City Mission and Sweat with Pride.
Continue to give back through the Heartland Trust , a registered charitable trust that is independent from but closely supported by Heartland Bank.	In FY2024, more than \$690,000 was funded through the Heartland Trust in the form of grants to community organisations and initiatives in the areas of education and learning, arts and culture, mental health and wellbeing, and sport and physical wellbeing. For more information on the organisations receiving support from the Heartland Trust, refer to heartland.co.nz/about-us/sponsorship
Increase volunteer day participation.	Heartland launched an awareness campaign to educate employees and senior leaders about volunteer days and the types of activities that can be included within them. Heartland acknowledges the positive impact that volunteering has on building employee wellbeing and a sense of connection and therefore offers one paid volunteer day per year to each employee.

FY2025 TARGETS

- Heartland is committed to supporting the communities it operates in, including **giving back through the Heartland Trust**. Heartland will review the funding categories of the Heartland Trust to ensure funding is allocated to areas where Heartland can have the greatest impact in the community.
- Heartland intends to continue promoting the use of **volunteer days to increase the use** of these days in both New Zealand and Australia.

HEARTLAND'S COMMITMENT:

Heartland cares for its customers.

HOW: Heartland provides competitive and flexible products that aim to improve the lives of its customers.

FY2024 TARGET	FY2024 PROGRESS
Continue to be recognised for exceptional value and innovation through maintaining its streak of Canstar NZ recognition, and recognition in the Australian market for its Reverse Mortgage product.	<p>Australian Mortgage Awards Heartland Bank Australia has been shortlisted as an excellence awardee in the Bank of the Year category for the 2024 Australian Mortgage Awards.⁵ The Australian Mortgage Awards celebrate achievements and acknowledges excellence across the financial sector, including brokers, aggregators, lenders, business development managers and more.</p> <p>Savings Bank of the Year Heartland Bank in New Zealand has been awarded Canstar's Savings Bank of the Year for seven consecutive years.⁶ The Canstar Bank of the Year – Savings Award is awarded to the institution that provides the strongest combination of products, accounting for the price positioning, features, savings tools and flexibility of the products assessed within Canstar's rating profiles.</p> <p>Three of Heartland Bank's savings accounts were also awarded Canstar Outstanding Value awards, each with a 5-Star Rating:</p> <ul style="list-style-type: none"> Direct Call Account: Outstanding Value Savings Account, 2018 – 2024 90 Day Notice Saver: Outstanding Value Savings Account, 2023 – 2024 32 Day Notice Saver: Outstanding Value Savings Account, 2022 – 2024. <p>Due to its recent market entry in October 2023, Heartland Bank's Digital Saver Account was not eligible for an Outstanding Value Award or Star Rating this year.</p>
Commission research to better understand the needs of older New Zealanders and Australians.	Heartland's Reverse Mortgage teams in New Zealand and Australia have collaborated with RMIT University (RMIT), which has released a research paper on the post-COVID-19 enablers and barriers to ageing well in place. The report explores the benefits, risks and decisions associated with ageing in place and assesses some of the planning considerations required by individuals, government departments and agencies and industries to support people to remain in their home as they age. Previous research conducted by RMIT reported that almost 90% of older Australians wish to 'age in place'.



FY2025 TARGETS

- Heartland is committed to **delivering exceptional value and banking innovation** to its customers. Heartland aims to **uphold its streak of recognition** by Canstar NZ and gain further recognition in the Australian market for its Reverse Mortgage product.

⁴ This excludes one-off donations made in FY2023, totalling \$45,000, to support disaster relief funds.

⁵ Announced August 2024.
⁶ Awarded July 2024.

TE ORANGA Ā-AHUMONI FINANCIAL WELLBEING



HEARTLAND'S COMMITMENT:

Support the financial wellbeing of Heartland's customers and communities.

HOW: Enhance economic outcomes for customers through digitalisation.

FY2024 TARGET	FY2024 PROGRESS
Support borrowers to manage their repayments, avoiding arrears.	Heartland has made significant progress towards offering eligible Motor Finance customers flexibility to self-manage certain loan repayments (One-Click). The development and architecture are largely complete, and extensive testing is underway.
Continue to increase digital self-service functionality.	The implementation of Heartland Bank's core banking system upgrade has enabled the release of further features to its digital banking platforms to enhance customers' ability to self-service. See page 18 for more information on these features.

FY2025 TARGETS

- Heartland will **support eligible Motor Finance borrowers to manage certain repayments and avoid arrears through 'Manage loan' functionality** (One-Click). The first release of One-Click will provide eligible Motor Finance customers with the flexibility to self-manage their vehicle loan repayments digitally via the Heartland Mobile App.
- Release further features** to the Heartland Mobile App.
 - Update direct debit details**
This feature will enable Motor Finance customers to update their direct debit date and frequency. Heartland is also looking to allow updates to the direct debit account.
 - Confirmation of Payee**
The Confirmation of Payee initiative, being led by the NZBA, aims to enhance the security of online banking transactions by verifying the payee's account details before completing a payment.
 - Other updates**
Other updates to the Heartland Mobile App include allowing users to update their tax information and set communication preferences via the app.
- Introduce a solution to provide **fraud detection**, monitoring and management capabilities to protect Heartland Bank's customers against unauthorised dealings when interacting with Heartland Bank's ecosystem (i.e. while applying for credit or transacting with existing accounts).

HOW: Ensure customers can benefit from Heartland's digitalisation journey.

FY2024 TARGET	FY2024 PROGRESS
Provide digital access to New Zealand Reverse Mortgage customers.	Heartland intended to create a mobile app for its New Zealand Reverse Mortgage customers in FY2024, however this was delayed due to the prioritisation of other strategic initiatives. This development is still a focus for Heartland, although development may be further delayed to FY2026.
Deliver educational events to improve digital capability.	Heartland intended to host a series of events to educate Heartland's customers on how to use mobile devices and applications, including the Heartland Mobile App, in order to improve their confidence and capability using digital tools. These events did not take place in FY2024 due to the prioritisation of other strategic initiatives.

Other achievements in FY2024

Provided digital access for customers to manage their funds on the go

Heartland Bank's Digital Saver account launched in October 2023 and has helped over 4,000 Kiwi access their funds digitally in FY2024. This low-touch, self-service account provides Kiwi an additional savings investment option, with no monthly fees, unlimited withdrawals and the flexibility to easily access their funds if they need to, without being penalised for withdrawing more funds than deposited in any given month.

A Heartland Bank Digital Saver account can be opened online and self-managed by customers through the Heartland Mobile App or through Heartland Bank's online banking platform, Heartland Digital.

"I'm very new to the concept of high-yield savings accounts, and I was amazed at the interest rates offered by Heartland Bank's 90 Day Notice Saver and digital savings accounts. I am so glad I made the decision to invest with Heartland Bank."

Heartland Bank Deposit customer

FY2025 TARGETS

See *Financial wellbeing* targets listed on the previous page.

How: Ensure Heartland's values and commitments are shared by its suppliers.

FY2024 TARGET	FY2024 PROGRESS
Set supplier sustainability targets to enhance sustainability and ensure Heartland's values and commitments are shared by its suppliers.	In FY2024, Heartland engaged a third-party management system to facilitate engagement with its New Zealand based landlords and Heartland's top suppliers responsible for over 50% of its total expenditure. A survey was sent to these groups to understand their emissions and strategies for reducing them. Heartland is yet to receive all responses to this survey which has delayed the ability to set supplier sustainability targets in FY2024.

FY2025 TARGETS

- Heartland intends to analyse the survey results from its New Zealand based landlords and its top suppliers responsible for over 50% of total expenditure across its Australian and New Zealand locations. This analysis will give Heartland insight into each entity's emissions and emission reduction targets, helping to **better align Heartland's sustainability practices across the Group**.

